

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03
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FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 5333
INFO CINCPAC
USLO PEKING
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 6990

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EINV, ETRD, CH, HK, US
SUBJECT: EXHIBITION OF CHINESE MACHINE TOOLS AND MOTORS OPENS

1. AN EXHIBITION OF PRC MACHINE TOOLS AND MOTORS OPENED
15 JUNE AT KUNTONG (KOWLOON) BY THE COSMO GROUP - THE
SOLE DISTRIBUTOR OF CHINESE MACHINE TOOLS AND ELECTRIC
MOTORS IN HONG KONG, THAILAND, AND THE PHILIPPINES. THE
DISPLAY CONSISTED OF A FAIRLY REPRESENTATIVE SELECTION
OF CHINESE GENERAL PURPOSE EXPORT MACHINE TOOLS, INCLUDING
GEAR SHAPING MACHINES, CYLINDRICAL AND OPTICAL PROFILE
GRINDERS, LATHES, AND GEAR GRINDING MACHINES. ALSO ON
DISPLAY WAS A NUMERICAL CONTROLLED WIRE CUTTING MACHINE.
MOTORS SHOWN COMPRISED A WIDE RANGE OF SMALL ELECTRIC
MOTORS, INCLUDING SINGLE AND THREE-PHASE INDUCTION MOTORS,
CLUTCH MOTORS, AND THREE-PHASE ASYNCHRONOUS MOTORS.
THE CHINESE DRIVE TO EXPORT ITS MACHINE TOOLS WILL
POSE NO THREAT TO THE U.S. MARKET FOR HIGH-
TECHNOLOGY EQUIPMENT.
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2. WHILE THE EXHIBIT OSTENSIVLY IS AIMED TO
LOCAL BUYERS - IT MORE SUBTLY OPENS SHOWROOM DOORS
TO A PROSPECTIVE AMERICAN MARKET. PROMOTIONAL
ADVERTISING AT THE EXHIBIT EMPHASIZED THE NEW COSMO
SUBSIDIARY - TAI TUNG INDUSTRIAL EQUIPMENT, LTD. -
AND THE \$20 MILLION PLANT THE LATTER FIRM IS BUILDING

ON HONG KONG'S TSING LI ISLAND TO MANUFACTURE MACHINERY USING PRC COMPONENTS. THE PLANT ALSO WILL MODIFY PRC MACHINERY FOR EXPORT TO U.S. AND SOUTHEAST ASIAN MARKETS. THE TAI TUNG FIRM HAS ALREADY ESTABLISHED A SALES OFFICE IN LOS ANGELES, THROUGH ITS SISTER COMPANY, ORIENTAL MACHINERY LTD., AND ADDITIONAL OFFICES ARE PLANNED FOR NEW YORK AND POSSIBLY DALLAS.

3. JUDGING FROM THE LARGE REPRESENTATION OF CHINA RESOURCE CO. OFFICIALS AT THE OPENING DAY CEREMONIES, THE PRC UNDOUBTEDLY PLACES CONSIDERABLY SIGNIFICANCE ON THE TAI TUNG TYPE VENTURE AS A MEANS OF REACHING THE U.S. MARKET. THERE IS STRONG EVIDENCE THAT THE TAI TUNG COMPANY WAS FORMED AND THE VENTURE ON TSING LI ISLAND PLANNED ON DIRECT INSTRUCTIONS FROM THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) IN PEKING. THE SUCCESS OF THIS VENTURE WILL NO DOUBT SERVE AS A BAROMETER FOR THE PRC IN USING HONG KONG'S MARKETING EXPERTISE TO DEVELOP U.S. AND OTHER WESTERN MARKETS.
SULLIVAN

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